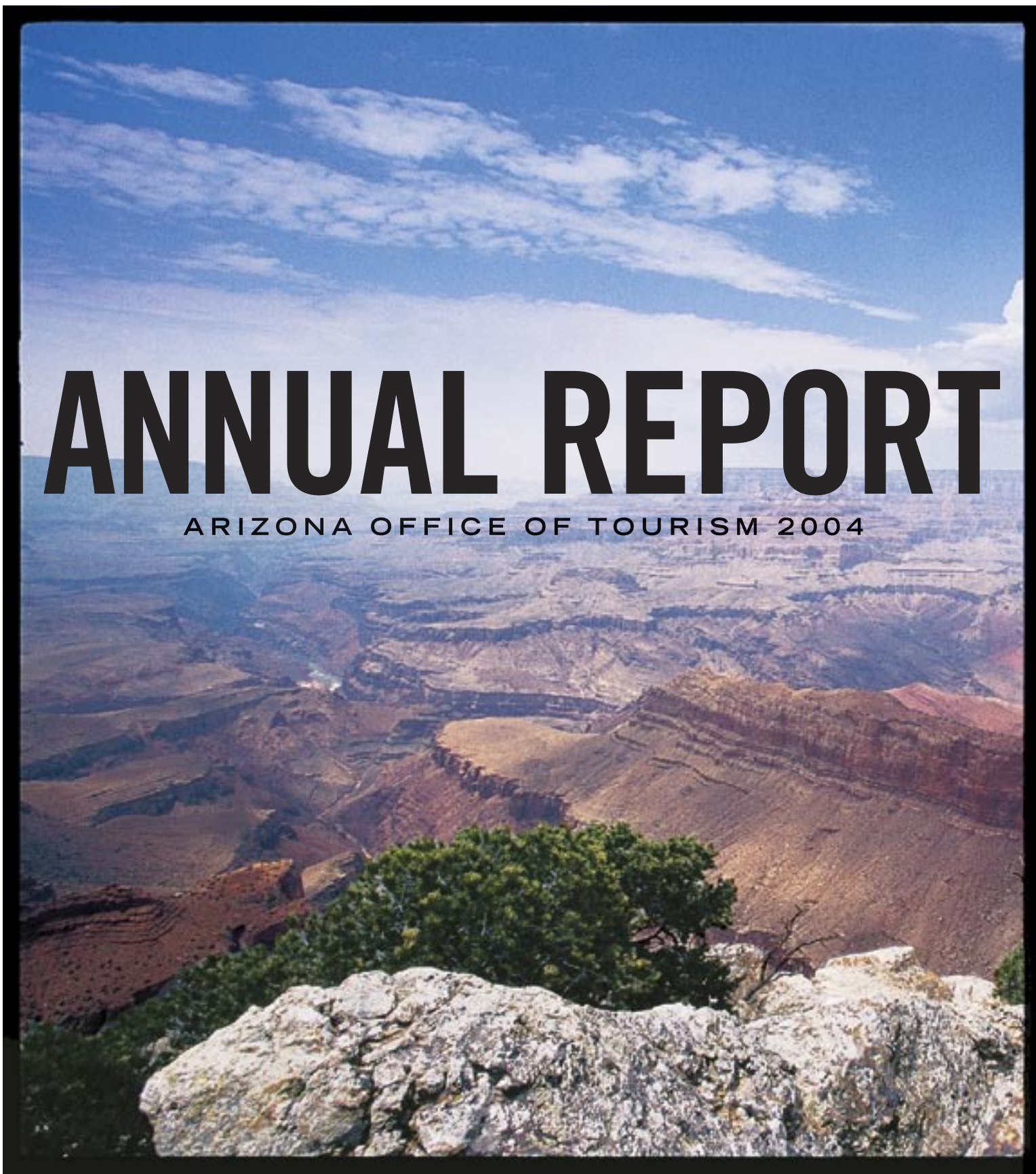




ANNUAL REPORT

ARIZONA OFFICE OF TOURISM 2004



DIRECTOR'S LETTER

Thirty years ago, the Arizona Office of Tourism (AOT) was created. Its charge was clear: Become the agency committed to enhancing the economy of the state through development and expansion of the tourism industry. Over the past three decades, many directors have brought their own vision to this task. The result is a thriving and growing industry that positively impacts every Arizonan.

Today, tourism is the only industry common to all 15 counties in Arizona. This means that people in every single county are employed because our industry is there – working and growing.

Statewide, our industry is responsible for supporting 450,000 jobs in Arizona. Many of these jobs pay more than \$50,000 a year. A sampling of average salaries, according to a 2002 survey by the American Hotel & Lodging Association, reveals that general managers earn an average of \$97,300 annually, while directors of sales and marketing earn an average of \$70,100 per year. Food and beverage directors pull in \$64,900 annually; executive chefs earn an average of \$53,800. Salaries for front office managers, sales managers, catering sales managers, sous chefs, executive housekeepers and reservation managers

are all in the \$30,000-\$40,000 range, a level that exceeds the average salary for employees in many other Arizona industries. How important is tourism to the local economies in this state? In Williams, 70 percent of the jobs are supported by the tourism industry. In Scottsdale, 39 percent of jobs are sustained by our industry. Taken as a whole, 20 percent of Arizona jobs are there because we are here.

The combination of jobs and visitors is a potent boost to our economy, providing Arizona with an impressive return on its investment in AOT's tourism marketing programs. We know that tourism contributes \$16 billion in direct visitor spending to the economy. The total economic impact of our industry is \$30 billion. And tourism generates \$1 billion per year in tax revenue to Arizona with millions of dollars more generated in tax revenues to cities and counties.

These impressive results reflect the outstanding partnerships we have put in place to enhance the economy of Arizona by developing and expanding the tourism industry. We forge relationships with public entities like convention and visitors bureaus, chambers of commerce and non-profit organizations, as well as with many private businesses that work with the state both as vendors and partners.

In recent years our efforts have attracted national recognition. In 2004, along with the Arizona Department of Transportation (ADOT) and *Arizona*

Highways, AOT received the Travel Industry Association of America's Odyssey Award for our Scenic Roads Web site, www.arizonascenicroads.com, which was developed in partnership with those agencies. The Odyssey Award is one of the industry's most prestigious honors.

Awards are gratifying but in tourism, as in every other industry, we live and die by our numbers. I am pleased to report that last year was a record year for domestic visitors. We saw an increase in domestic visitation to Arizona of 3.6 percent. But I must temper this good news by noting that competitor states are gaining ground on us.

To remain competitive in the future, AOT is committed to:

- Continually refine our research capabilities to better understand our targeted visitors.
- Leverage funding dollars to achieve the maximum return on investment.
- Strategically communicate to our targeted domestic and international visitors through creative and timely messages that encourage and compel them to travel to our state.
- Strengthen our strategic partnerships throughout the state.

I am pleased to present you with our Fiscal Year 2004 Annual Report.

Margie A. Emmermann,
DIRECTOR, ARIZONA OFFICE OF TOURISM



The Year in Review

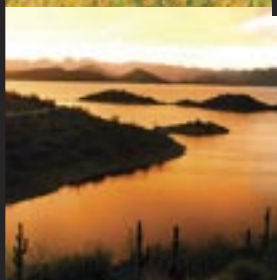
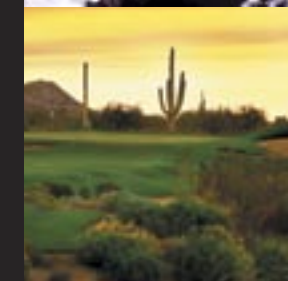
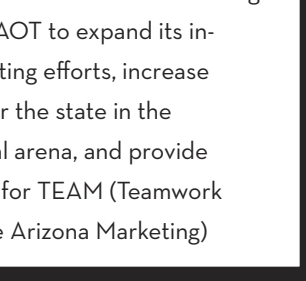
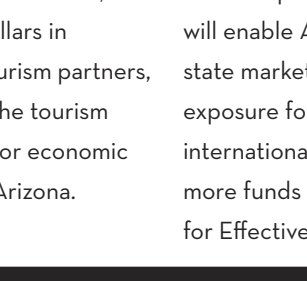
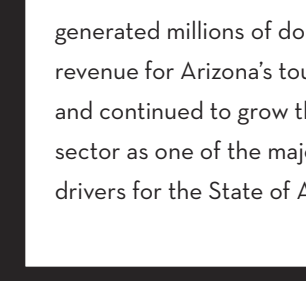
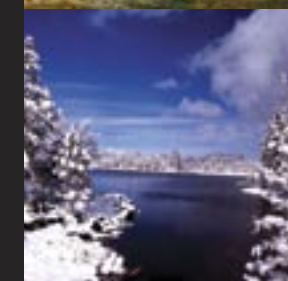
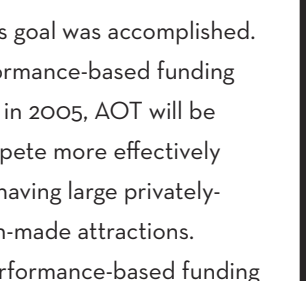
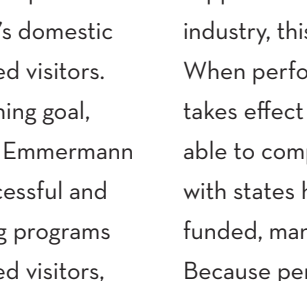
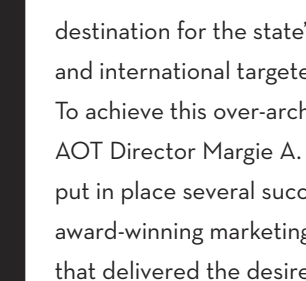
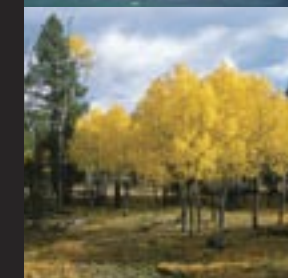
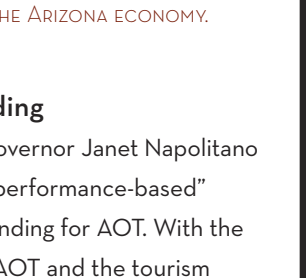
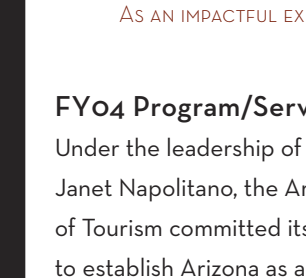
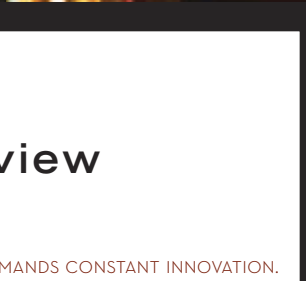
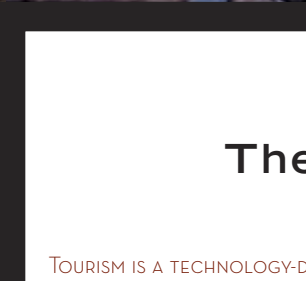
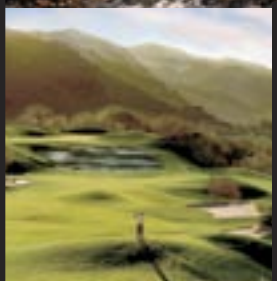
TOURISM IS A TECHNOLOGY-DRIVEN, GLOBAL INDUSTRY THAT DEMANDS CONSTANT INNOVATION.
AS AN IMPACTFUL EXPORT INDUSTRY, TOURISM DRIVES THE ARIZONA ECONOMY.

FY04 Program/Services

Under the leadership of Governor Janet Napolitano, the Arizona Office of Tourism committed itself in 2004 to establish Arizona as a top-of-mind destination for the state's domestic and international targeted visitors. To achieve this over-arching goal, AOT Director Margie A. Emmermann put in place several successful and award-winning marketing programs that delivered the desired visitors, generated millions of dollars in revenue for Arizona's tourism partners, and continued to grow the tourism sector as one of the major economic drivers for the State of Arizona.

AOT Funding

In FY04, Governor Janet Napolitano proposed "performance-based" (formula) funding for AOT. With the support of AOT and the tourism industry, this goal was accomplished. When performance-based funding takes effect in 2005, AOT will be able to compete more effectively with states having large privately-funded, man-made attractions. Because performance-based funding will enable AOT to expand its in-state marketing efforts, increase exposure for the state in the international arena, and provide more funds for TEAM (Teamwork for Effective Arizona Marketing)





grants to Arizona communities, tourism will be empowered to grow the Arizona economy at an even more impressive rate.

In FY04, AOT celebrated great successes despite operating with limited dollars. Appropriated funds for the Agency were \$9 million. Revenues from Indian gaming (Proposition 202) added \$2.3 million, bringing the total to \$11.3 million. In addition to these funds, AOT acts as the awarding institution for Proposition

IN ARIZONA, AOT RETURNS THE STATE'S INVESTMENT THROUGH COST-EFFECTIVE PROGRAMS THAT PROMOTE A STRONG BRAND IDENTITY FOR THE GRAND CANYON STATE AND MOTIVATE TOURISM ACTIVITY. AOT STAFF IS DEDICATED TO FULFILL ITS MISSION TO "ENHANCE THE STATE ECONOMY AND THE QUALITY OF LIFE FOR ALL ARIZONANS BY EXPANDING TRAVEL ACTIVITY AND INCREASING RELATED REVENUES THROUGH TOURISM PROMOTION AND DEVELOPMENT."

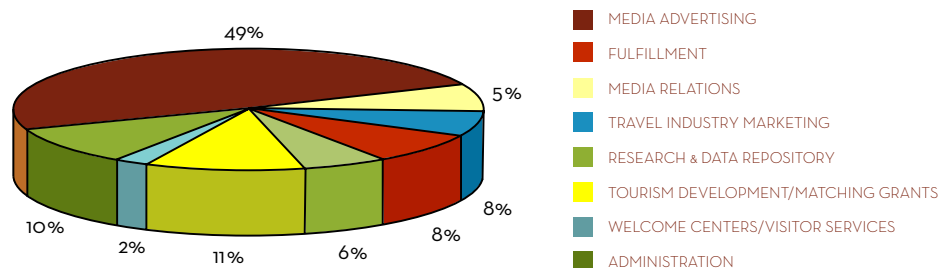
302, the Maricopa County Grant Program. In FY04, AOT passed \$4.4 million through to Maricopa County Destination Marketing Organizations (DMOs).

The Approach

Committed to making Arizona top of mind in awareness among its targeted consumers and providing strong leadership for the tourism industry in the state, AOT deployed a strategic, research-based approach in FY04 that attracted and retained its targeted visitors and created key opportunities for its partners to benefit from increased visibility.

Although Arizona has historically competed with destinations that are better funded, by budgeting strategically AOT leveraged and maximized its resources, enabling the agency to achieve its four major goals.

AOT BUDGET BREAKDOWN





Research: Our foundation for all decision-making

The heart of the AOT strategic plan is research. To further refine its research capability, the agency

THE RESEARCH DIVISION DRIVES THE GOAL OF “CONTINUALLY REFINING OUR RESEARCH CAPABILITIES TO BETTER UNDERSTAND OUR TARGETED VISITORS” AND SHARES THIS DATA WITH AOT AND ITS TOURISM PARTNERS.

commissioned Longwoods International to perform an ad effectiveness study that measured the effectiveness of the ad message, ad placement, return on investment and perception of Arizona among targeted visitors.

AOT’s Research Division continually updates all other divisions on the latest research data and makes it available to our tourism partners via the agency’s business-to-business Web site, www.azot.com.

In FY05, AOT will build on this research by conducting a “perceptual mapping” study to further refine and identify our target markets and messages by helping us understand how travelers perceive the state.

By effectively and efficiently “mining” data from our market research efforts, we identified, targeted and attracted our targeted visitor in cities and regions throughout the U.S. We learned where these people live, what they like to do, buy, read, drive, and eat, and what “triggers” their choices for leisure travel.

CURRENT MARKETS

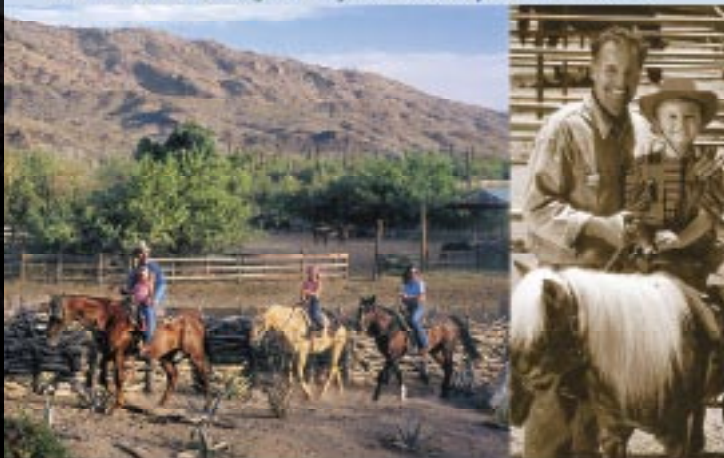
- Empty Nesters—45-64, \$150 K + HHI
- Affluent Boomer families—45-54, \$150 K + HHI

DEVELOPMENTAL MARKETS

- Trailing Boomer families—35-44, \$75 K + HHI
- Arizona residents—35-64, \$50K+ HHI

**GOAL 1: CONTINUALLY REFINE
OUR RESEARCH CAPABILITIES
TO BETTER UNDERSTAND
OUR TARGETED VISITOR.**

Some trails are so magical, they lead back to your own childhood.



Want to know where this is? Visit arizona.gov.

The Wild West is still ready enough for kids, and kids-at-heart, to have the time of their lives. Why not treat your family? For your free travel packet, including an Official State Visitor's Map and Calendar of Events, contact the Arizona Office of Tourism toll-free at 1-800-450-7800.



You still like to make an impact, don't you?



Want to know where this is? Visit arizona.gov.

At your child's leisure, when outdoor recreation is as much fun as it is a way of life. Why not make your next trip? For your free travel packet, including an Official State Visitor's Map and Calendar of Events, contact the Arizona Office of Tourism toll-free at 1-800-450-7800.



Our ROI: Tourism pays off for Arizona

UNDER THE LEADERSHIP OF MARGIE EMMERMANN, EVERY AOT DIVISION IS COMMITTED TO ACHIEVING OUR GOAL TO "LEVERAGE FUNDING DOLLARS TO ACHIEVE THE MAXIMUM ROI."

In FY04, AOT continued to work smarter and more strategically to attain the most return for every dollar invested in tourism. For every one dollar (\$1) spent on the FY04 AOT advertising campaign, Arizona received \$238 in direct visitor spending, plus \$19.02 in total taxes returned per ad dollar invested. This translates to \$5.71 in state taxes and \$13.31 in local

taxes for every \$1 invested in advertising (*Longwoods International 2004*).

In FY04 tourism:

- Contributed \$16 billion in direct visitor spending to the economy.
- Is the only industry common to all 15 counties - outpacing industrial machinery, transportation/logistics, and agricultural processing/technology, which only appear in six counties.
- Supported 450,000 jobs in Arizona, many of which pay more than \$50,000 per year.

Our outstanding ROI proves that by attracting increasing numbers of targeted in-state, out-of-state, and international visitors to Arizona, AOT is meeting its objective to enrich the economy of the state and the lifestyle for all Arizonans.

GOAL 2: LEVERAGE FUNDING DOLLARS TO ACHIEVE THE MAXIMUM RETURN ON INVESTMENT (ROI) FOR THE STATE OF ARIZONA.



Our visitors: Making Arizona “top of mind”

Arizona attracts domestic (U.S.) and international visitors who travel to Arizona for pleasure (as leisure travelers) and for business. To effectively reach these markets, the agency conducts a comprehensive and collaborative program of work that involves every division and department in the agency to ensure maximum impact for the state.

Who is our domestic overnight visitor?

For the calendar year 2003, Arizona welcomed 27.8 million domestic overnight visitors. Domestic overnight visitors to Arizona came from all over the U.S. with California providing the most significant

origin market, supplying 27 percent of Arizona’s domestic overnight visitors.

Travel trends: A mixed report.

Overnight travel within Arizona by Arizonans rose by 25.3 percent in calendar year 2003. Leisure visitors to Arizona increased by 8.8 percent, while business travelers decreased by 11.3 percent. Overnight travel by non-residents decreased by 3.3 percent.

Direct spending by visitors was up 1 percent in 2003 to \$12.4 million.

(These numbers are calculated on the calendar year, not fiscal year.)

The overnight domestic visitor spent on average \$106.26 per person, per day, down slightly from \$108.49 the previous year.

Our small, but significant international market.

International visitors accounted for just 7 percent of Arizona’s visitation in calendar year 2003. But these visitors contributed more than \$200 million to the state’s economy. Although the number of international visitors to Arizona decreased 15.3 percent to 544,000, spending per day increased \$10 to \$84.00. The good news is that the outlook for international visitation in calendar year 2004 looks stronger.

2003 direct spending from international travelers.

Canada:	\$236 million
Mexico:	\$103 million*
United Kingdom:	\$ 40.7 million
Germany	\$ 39.3 million
Japan:	\$ 24.3 million

GOAL 3: STRATEGICALLY COMMUNICATE TO OUR TARGETED DOMESTIC AND INTERNATIONAL VISITORS THROUGH CREATIVE AND TIMELY MESSAGES THAT ENCOURAGE AND COMPEL THEM TO TRAVEL TO OUR STATE.

* VISITORS TRAVELING BY AIR ONLY.

THE ADVERTISING, FULFILLMENT & MEDIA RELATIONS DIVISION, WORKING COLLABORATIVELY WITH THE TRAVEL INDUSTRY MARKETING DIVISION, DELIVERED ON THE GOAL TO “STRATEGICALLY COMMUNICATE TO OUR TARGETED DOMESTIC AND INTERNATIONAL VISITORS THROUGH CREATIVE AND TIMELY MESSAGES THAT ENCOURAGE AND COMPEL THEM TO TRAVEL TO OUR STATE.”





Branding Arizona: The National Campaign

To position Arizona as **the** choice destination for our preferred visitor in FY04, AOT created and placed an aggressive, targeted, national-paid media schedule. The message and media schedule reflected a strategic balance that strongly supported peak seasons in both Northern Arizona and Central/Southern Arizona.

WE BASE ALL AD BUYS ON OUR SOPHISTICATED MARKET RESEARCH SO THAT EACH PLACEMENT RETURNS OPTIMUM RESULTS. AD BUYS ARE STRATEGICALLY TIMED TO MAXIMIZE THE IMPACT OF OUR STATE'S DIVERSE CLIMATE, AS WELL AS TO SHOWCASE A VARIETY OF ACTIVITIES. ALL AD BUYS SHARE ONE GOAL: TO REACH OUR TARGETED VISITORS IN THE MOST COST-EFFECTIVE WAY SO THAT THEY ARE COMPELLED TO TRAVEL TO ARIZONA IN EVERY SEASON.

The campaign introduced Arizona's key destination drivers to a larger audience, while concentrating on attracting baby boomers to the state. Ad buys leveraged regional marketing efforts to capitalize on travel trends to shorter, more frequent vacations. To drive leisure travel, layered media

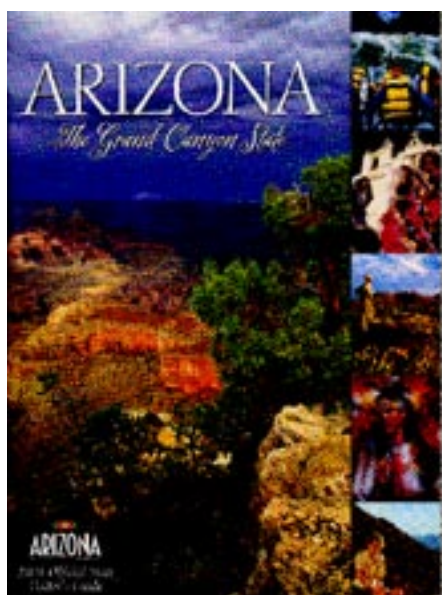
campaigns augmented the media schedule in targeted key originating cities. To build customer loyalty and maintain repeat visitors, the campaign employed the most useful current technology and the Internet.

Success Story: In February 2004, AOT generated 51,017 inquiries or requests for information – 5,000 more than AOT's best month four years ago in February 2000.

Selling Arizona: The Target City Campaign

In FY04, AOT launched a comprehensive and collaborative effort by the Advertising, Media Relations and Travel Industry Marketing Divisions to sell Arizona as a premier destination to pre-selected travelers in targeted cities throughout the U.S. Research conducted by the agency determined which cities and regions support the significant





populations that match our targeted demographics. The campaign was supported by paid advertising, media relations and travel industry sales missions and captured the spirit and lifestyle that is synonymous with Arizona. Unveiled in cold-weather destinations during the winter months, the message leveraged the warm winter climate of Central and Southern Arizona. The campaigns ran in a variety of marketing mediums including TV, radio, print, outdoor and even coffee wraps. How did we do? The FY04 Target City Campaign met and exceeded all expectations. Here are the details.

Where we were in FY04

Based on the success of our 2003 Chicago Target City Campaign, which won the Mercury Award from the Travel Industry Association of America, AOT implemented a broader 2004 Target Cities Campaign in Denver, Chicago, Minneapolis-St. Paul, Portland, St. Louis and Dallas. AOT used the “Arizona. The Perfect Cure for your Winter Cold” Campaign in the winter months to increase the exposure, response and leads from these key geographic locations over the national average. The peak winter season allows AOT to target consumers with enough lead time to plan a warm-weather getaway. The layered media campaign included print, interactive online placements, coffee wraps, radio and TV.

Southern California

Broadcast promotions began in August 2003 with the campaign running in September 2003 and February to

April 2004. Magazine placements appeared in October, January, February, March, April and May. Newspaper placements appeared in March and April in the Los Angeles Times and San Diego Union-Tribune.

Success story: *Although Southern California is a short-haul market, AOT is committed to this market for the long haul. Southern California continues to account for 20 percent of overnight domestic travelers to Arizona.*

Chicago

AOT advertised Arizona as “a great winter escape” during the Chicago Target City Campaign. It included a promotional trip giveaway, a branding campaign and a Cactus League Spring Training promotion. Media placement started in November 2003 and continued through March 2004. A comprehensive and layered media schedule included radio, TV, magazines and newspapers.

Success story: *Like Southern California, Chicago represents a long-term marketing effort by AOT and its partners. The success of the FY03 Chicago campaign prompted a strategic five-city rollout in FY04. AOT’s FY04 Chicago targeted advertising campaign resulted in a sizeable segment of viewers (17 percent) taking a positive action after viewing the advertising. The most frequently taken action was to visit an Arizona Web site, with a reading of 12 percent. This action was particularly popular among younger respondents (16 percent) and frequent travelers (16 percent).*





Denver

This campaign, like the Minneapolis/St. Paul and St. Louis efforts, was supported by a media relations program and travel industry sales mission. The campaign ran mid-November through mid-December, 2003, with radio spots, TV, coffee wraps, print ads, and direct and electronic mail, plus a geographically targeted ad buy schedule on AWAY.com.

Success story: There was a 135 percent increase in requests for information, from 1,998 in FY03 to 4,711 in FY04. The “Fly to

Portland area. In February 2004, AOT received a total of 3,340 from the same area, with 2,840 attributed directly to the Target City Campaign. In addition, there was a 179 percent increase in requests for information – from 1,793 in FY03 to 5,014 in FY04. The “Vacation in Arizona” Web site, a unique site created for the Portland campaign that ran in February 2004, accounted for 2,419 additional requests in February, March and April of 2004.

St. Louis

The campaign ran during the month of February with placements on radio, TV and print ad buys. Coffee wraps were used in local cafés, along with direct and electronic mail and two rotary billboards.

Success story: Awareness of Arizona as a vacation destination increased a significant 8 points between pre- and post surveys of the St. Louis population, from 27 percent to 35 percent. 18 percent of viewers took positive action after viewing the advertisements.



**the perfect cure
for your winter cold**
ComeToArizona.com



Arizona” Web site, a unique site created for the Denver campaign that ran in November 2003, accounted for the additional 1,805 requests in December 2003.

Portland

This campaign ran during the month of February with placements on radio, TV and print buy ads. Coffee wraps were used in local cafés, along with direct and electronic mail.

Success story: During February 2003, AOT received 291 inquiries from the

Minneapolis/St. Paul

The campaign ran throughout the month of February with placements on radio, TV and print ad buys, and with a supporting sales mission. Coffee wraps were used in local cafés, along with direct and electronic mail.

Success story: The number of people from Minneapolis/St. Paul who requested an “Official State Visitor’s Guide” increased 58.8 percent, from 6,000 in FY03 to 9,529 in FY04.

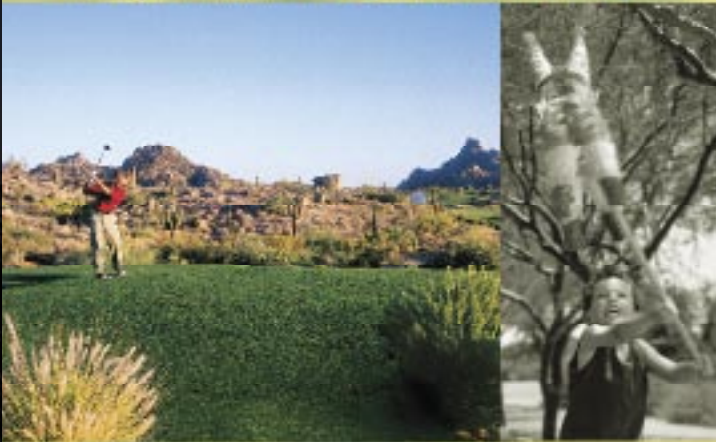
Dallas

The campaign ran in March with print advertisements in magazines and newspapers, radio spots, TV, direct mail, electronic mail and outdoor advertising.

Success story: In FY04, the number of people requesting an “Official State Visitor’s Guide” from Dallas increased 46.8 percent, from 4,414 in FY03 to 6,479 in FY04.



Reclaim your inner child. Take a big stick and whack something.



What to know when this is? Visit arizonaguide.com.

Play is particularly satisfying in a place where outdoor recreation is an essential part of life. Why not indulge your kid's? For your free travel packet, including an Official State Visitor's Map and Calendar of Events, contact the Arizona Office of Tourism toll-free at 800-965-6645.



Admit it. You didn't grow up longing to be a systems analyst.



What to know when this is? Visit arizonaguide.com.

Happier kids equal you in Arizona, where every road leads to new adventures. Why not indulge a kid's? For your free travel packet, including an Official State Visitor's Map and Calendar of Events, contact the Arizona Office of Tourism toll-free at 800-965-6645.



THE TARGET CITY CAMPAIGN GENERATED MORE THAN 128 MILLION GROSS IMPRESSIONS AND MORE THAN 27,000 LEADS OVERALL. THIS HIGHLY SUCCESSFUL CAMPAIGN PROVIDED EXCELLENT BRAND VISIBILITY FOR AOT AND OUR AIRLINE AND HOTEL PARTNERS.

We amplified our national and target city messages with technology.

LED BY THE ADVERTISING, FULFILLMENT AND MEDIA RELATIONS DIVISION, WE DRAMATICALLY INCREASED THE EFFECTIVENESS OF THE INTERNET.

Because the Internet is increasingly the tool of choice for obtaining travel information 24/7, AOT refined and enhanced its Web sites. Web sites are an effective tool to support the flow of information about Arizona as the travel destination of choice and strengthen relationships

between the state and our visitors. Our Web sites also support Governor Janet Napolitano's request that state agencies move toward a paperless society.

To achieve our goal of communicating most effectively and efficiently with our targeted domestic and international visitors, AOT maximized its technology-based opportunities in FY04. Our messages were amplified electronically through two consumer Web sites: www.arizonaguide.com and www.arizonavacationvalues.com and through our business-to-business

Web site www.azot.com. All Web sites yielded impressive results. Arizonaguide.com, for example, received more than 5,000 visitors per day and more than 2.2 million visitors per year.

Success story: In FY04, AOT received 2,263,181 visitors to www.arizonaguide.com, while www.arizonavacationvalues.com had more than 2,500 offers posted by more than 1,000 businesses.

BECAUSE WE KNOW THAT CUSTOMER RELATIONSHIPS ARE THE KEY TO THE VISITOR EXPERIENCE, WE CONSTANTLY FINE TUNE OUR WEB SITES TO MAKE THEM MORE USER-FRIENDLY, RELEVANT AND INFORMATIVE-24/7.

We amplified our message through the media.

Generating positive publicity and increased media exposure for Arizona as a premier travel destination continued to be a top priority for AOT in FY04.

By becoming a trusted resource for travel writers, the Media Relations

THE MEDIA RELATIONS DIVISION CREATED AND IMPLEMENTED AN INTENSIVE PROGRAM TO GENERATE POSITIVE ATTENTION FROM SELECTED MEDIA WHO REACH AOT'S DOMESTIC AND INTERNATIONAL TARGET MARKETS.

staff attracted millions of dollars in "earned media."

As opposed to paid advertising, earned media

appears as features and news stories in newspapers, magazines, television and radio. Earned media enhances the agency's ability to touch our targeted domestic and international markets and encourages travel to Arizona. Public relations activities included creating and distributing press releases, organizing familiarization trips for qualified writers to introduce them to the state, and working with U.S. and international journalists to produce stories that drive tourism traffic.

Success story: To attract media attention to Arizona, the Media Relations Division wrote and distributed more than 30 news releases targeted at 1,200 high-value travel writers. Overall, in FY04, the Media Relations effort generated 1,835 articles worth more than \$23 million of free travel-related publicity. This included 145 televised travel broadcasts reaching 2.8 million viewers.

RESEARCH SHOWS THAT READERS AND VIEWERS RESPOND MORE POSITIVELY TO EARNED MEDIA THAN TO PAID ADVERTISING. BY COMPLEMENTING OUR PAID ADVERTISING SCHEDULE WITH A TARGETED MEDIA RELATIONS PROGRAM THAT DRIVES RESULTS, AOT ADDS THE POWER OF "EXPERT TESTIMONY" TO ITS MARKETING MIX.

We amplified our message by connecting with the travel industry.

BY WORKING CLOSELY WITH THE PROFESSIONAL TRAVEL INDUSTRY, THE TRAVEL INDUSTRY MARKETING DIVISION RAISED THE VISIBILITY OF ARIZONA AS A DESTINATION OF CHOICE FOR THEIR MARKETS.

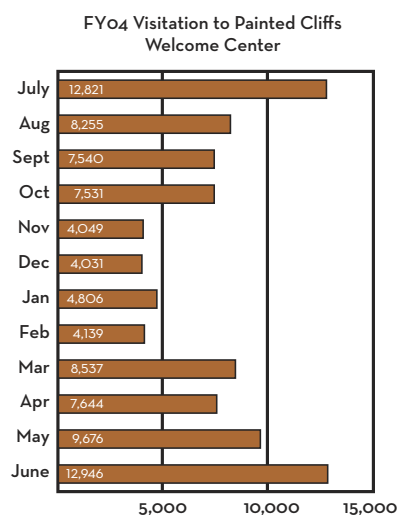
To grow domestic and international in-bound leisure tourism, it is essential to reach the travel trade industry. In FY04, the Travel Industry Marketing Division generated news and excitement about Arizona as a travel destination among industry professionals who could promote Arizona to their clientele. To attract their attention, AOT aggressively promoted the state at trade shows, and through sales missions and familiarization tours. Agency staff met with U.S. and international tour operators, travel agents and with wholesalers who expand additional inbound tour and travel programs that encourage more leisure travel to Arizona.

Beginning in FY05, performance-based funding will enable AOT to add international consumer advertising to this mix. This advertising will greatly enhance the marketing effort to



influence the travel industry to promote Arizona as a premier destination.

Success story: AOT attended more than 15 trade shows in the U.S. In addition, the agency was represented at trade shows and sales missions in the five key international markets. The Travel Industry Marketing Division attended 20 percent more trade shows in FY04. The agency also conducted five familiarization tours for key travel trade representatives to encourage more travel to Arizona.



OUR REPRESENTATIVES IN THE U.K., GERMANY, MEXICO, CANADA AND JAPAN ARE RAISING THE VISIBILITY OF ARIZONA AS A POSITIVE DESTINATION FOR INTERNATIONAL TRAVELERS.

We improved our response time to meet increased demand for our product.

Marketing builds interest, but fulfillment makes sales. To ensure that every inquiry is answered promptly and effectively, AOT continued to work closely with our call center and travel counselors who fielded 25,000 calls about travel to Arizona in FY04. In addition, more than 2 million visitors were tracked to AOT's consumer

FULFILLMENT IS UNDER THE DIRECTION OF THE ADVERTISING, FULFILLMENT & MEDIA RELATIONS DIVISION, WHICH DIRECTED THE CUSTOMER-RESPONSE EFFORT WITH THE GOAL OF CREATING A MORE SEAMLESS EXPERIENCE FOR ANYONE INQUIRING ABOUT TRAVEL TO ARIZONA.

Web sites. To meet the demand, the agency mailed

425,000 Arizona Travel Information Packets to prospective visitors. Packets included the "Official State Visitor's Guide" and "Official State Visitor's Map."

Success story: In addition to fulfilling the demand for information, AOT has captured and "mined" 1.4 million highly qualified customer names for

targeted AOT direct marketing and e-marketing. Within four years, AOT is on track to immediately view potential visitor information, such as personal preferences, economic history and travel patterns. The agency will then be able to respond almost instantaneously, recommending appropriate Arizona travel products to them. This collaborative research, marketing and fulfillment effort will greatly enhance our ability to anticipate and meet the needs of our visitors.

INFORMATION IS OUR MOST IMPORTANT PRODUCT. BY "SLICING AND DICING" ALL TRAVEL INQUIRY INFORMATION, WE CAN BETTER UNDERSTAND THE TRAVEL PREFERENCES AND LIFESTYLES OF OUR CURRENT AND POTENTIAL VISITORS. IN FY04, WE EMPLOYED SOPHISTICATED DATA MINING TECHNIQUES TO PROVIDE US WITH ESSENTIAL INFORMATION THAT HELPED US GROW OUR BUSINESS.

We get to know our customers through our visitor centers.

OUR VISITOR CENTERS PLAY AN IMPORTANT ROLE BY ALLOWING US TO "TOUCH" OUR CUSTOMERS. THEY ARE UNDER THE SUPERVISION OF THE TOURISM DEVELOPMENT DIVISION, SUPPORTED BY ADVERTISING, FULFILLMENT & MEDIA RELATIONS.

Well-staffed visitor centers encourage travelers to extend their stay and create a long-lasting, positive impression, which encourages repeat visits.

Success story: AOT's Painted Cliffs Welcome Center, located on Interstate 40 in Lupton, Arizona, welcomed almost 92,000 visitors in FY04. On average, 21 percent of Painted Cliffs' visitors extend their stay in Arizona as a result of the additional information they receive at the center.





Our partnerships: Producing strategies for success

To attract more visibility to the state and build awareness of Arizona as a premier travel destination for our targeted visitors, AOT created new strategic partnerships and supported existing partnerships in FYO4. Our partnerships encourage

GOAL 4: STRENGTHEN OUR STRATEGIC PARTNERSHIPS THROUGHOUT THE STATE. tourism entities to work together as regions, cultural associations and inter-governmental organizations.

Regional partnerships

Since 2000, AOT has designated more than \$2 million in regional marketing funds. Regional partnerships are highly successful programs, as they respond

to how visitors really travel. In general, visitors to the state travel to see an area or a region rather than a single destination or attraction. By working in collaboration, regional partnerships have proven that cooperation builds business and enriches visitor experiences.

Northern Arizona Marketing Coalition & Southern Arizona Partnership

AOT continued to work with both the Northern Arizona Marketing Coalition and the Southern Arizona Partnership to promote tourism to stimulate the economy in those regions. Regional partnerships promote stronger alliances within the region and enable AOT and the regions to work together more effectively to influence travel from key geographic target markets. Both partnerships conduct

in-state and out-of-state advertising campaigns that individual cities and towns within each region could not afford to do on their own. Each partnership also produces a comprehensive fulfillment piece that is representative of the accommodations, attractions, activities and events available in each region.

Success story: In FYO4, the Northern Arizona Marketing Coalition attracted 13,441 leads from people requesting information about traveling to Arizona/ Northern Arizona. This is a 58 percent increase over the previous year. The jump in response is largely due to AOT's emphasis on driving traffic online, specifically to www.grandandbeyond.com, a splash page developed by AOT for the Northern Arizona Marketing Coalition.

Coming in FYO5: The goal is to maximize the value of additional dollars available in the budget and drive visitation through the following initiatives:

- Increase campaign effectiveness in national and regional publications with high-impact magazine inserts and promotions through strategic alliances with Greater Phoenix and Scottsdale convention and visitor bureaus (CVBs) and other destination management organizations (DMOs).
- Explore "pay per lead" mediums such as Direct Response TV and online media maximization.



- Combine efforts of AOT's Advertising and Travel Industry Marketing Divisions to develop new campaigns in international markets, focusing on Canada, Mexico and the United Kingdom.
- Explore the domestic Hispanic market following a Hispanic research project that will increase understanding of the destination drivers important to that market.
- Build on success of the Target City Campaign that produced a 52 percent increase in consumer inquiries. The use of unique URLs will help track effectiveness in key online mediums.

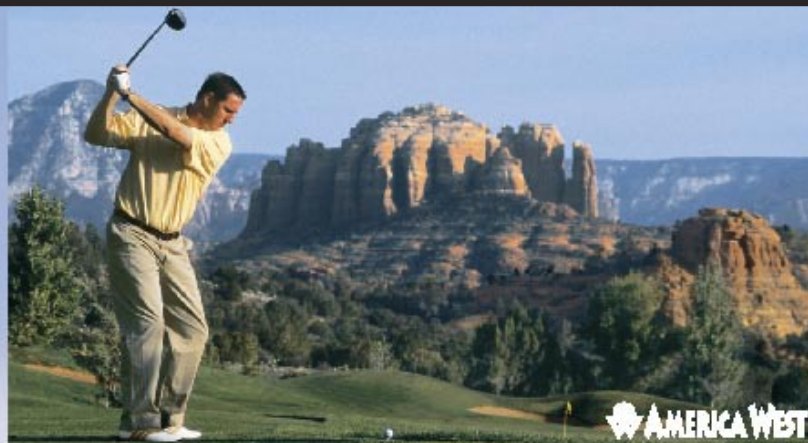
as liaison with Arizona tribes and be their advocate within the agency. AOT also formed the Tribal Tourism Advisory Committee in FY04 to strengthen and support this new strategic partnership. The immediate goal of the advisory committee was to build trust among the tribes with AOT. The long-term goal is to provide marketing expertise and support for tribes that want to enhance their economies by providing visitors with opportunities for culturally-sensitive tourism experiences. In addition, AOT agreed to conduct a year-long visitor survey to assess visitor expectations

a reliable base of information about tourism opportunities already existing on tribal lands. It is also creating a forum to begin the conversation among tribal tourism representatives and AOT about the kinds of visitor experiences that could be created in the future to benefit tribes.

Intergovernmental partnerships: Arizona Highways and the Arizona Department of Transportation

THE RESEARCH, ADVERTISING AND TOURISM DEVELOPMENT DIVISIONS ALL WORKED TOGETHER TO STRENGTHEN THIS STRATEGIC PARTNERSHIP THAT WAS REALIZED IN FY04.


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Cultural partnerships: Tribal tourism

THIS STRATEGIC CULTURAL PARTNERSHIP IS DIRECTED BY THE TOURISM DEVELOPMENT DIVISION AND SUPPORTED AS NEEDED BY OTHER DIVISIONS.

In December 2003, Governor Janet Napolitano convened a Tribal Tourism Summit in Yuma, Arizona with representatives of Arizona Indian Tribes and AOT. As a result of the summit, AOT hired a Native American tourism development manager in FY04 to act

and experiences with Native American tourism and measure the economic impact of tourism on Arizona tribal lands.

Success story: The Native American tourism development manager, working with the Tribal Tourism Advisory Committee, has begun the task of establishing more open communication between Arizona's tribal tourism offices and AOT. This important new effort is creating

AOT continued to participate in successful intergovernmental partnerships to develop a promotional and informative program to increase travel on Arizona's scenic parkways, and historic and scenic roads. That project was funded by a \$300,000 federal transportation grant. In FY04, the agency launched a \$100,000 consumer advertising campaign to promote travel on scenic roads throughout the state. AOT developed an interactive



Web site, www.arizonascenicroads.com, in cooperation with *Arizona Highways* and the Arizona Department of Transportation.

Success story: Since www.arizonascenicroads.com was activated in November 2003, it has generated 223,799 visits to the Web site. The Travel Industry Association of America (TIA) presented AOT, The Arizona Department of Transportation (ADOT) and Arizona Highways with its 2004 Odyssey Award, one of the highest honors in the U.S. travel industry. Accepting on behalf of each respective organization was Margie A. Emmermann, director of AOT, Victor Mendez, director of ADOT and Win Holden, publisher of *Arizona Highways*.



Arizona Council for Enhancing Recreation and Tourism (ACERT)

AOT is an active member of ACERT, working with the Arizona Commission on the Arts, Arizona Department of Commerce, Arizona Department of Education, ADOT, Arizona Humanities Council, Arizona Public Lands, Arizona State Parks, Arizona State University,

Audubon Arizona, Arizona Game and Fish, Bureau of Land Management, Museum Association of Arizona, National Park Service, Northern Arizona

University, Public Lands Information Center, University of Arizona Cooperative Extension, U.S. Department

of Commerce, U.S. Fish and Wildlife, and U.S. Forest Service to enhance recreation and tourism in Arizona.

Arizona KidZone

THE TOURISM DEVELOPMENT DIVISION WORKS IN STRATEGIC PARTNERSHIP WITH ACERT TO MAINTAIN THE KIDZONE WEB SITE, BRINGING THE WONDERS OF ARIZONA TO SCHOOL-AGE CHILDREN AND NURTURING A FUTURE MARKET OF ARIZONA-BOUND TRAVELERS.

This educational Web site for school-age children gives virtual tours of Arizona's public lands, historic sites and cultural attractions. The site is featured on www.arizonaguide.com and is promoted to children who request information from AOT for school reports and projects.

TO LEVERAGE OUR "REACH" WITHIN THE INDUSTRY, WE CREATE STRATEGIC "LIVE" AND "VIRTUAL" PARTNERSHIPS THAT WORK FOR ALL OF US. THESE PARTNERSHIPS ARE MUTUALLY BENEFICIAL AND CREATED FOR THE LONG RUN.

Community-based partnerships

AOT creates meaningful partnerships with the public and private members of the tourism community to stimulate product development and promote tourism throughout the state. The agency drives this initiative in two primary ways: Through Community Outreach workshops that it presents throughout the state and through TEAM grants awarded by the agency to individual communities and regions.

THE TOURISM DEVELOPMENT DIVISION LEADS THIS STRATEGIC INTER-GOVERNMENTAL PARTNERSHIP THAT LEVERAGES THE STRENGTH OF NUMEROUS AGENCIES INVOLVED IN ACTIVITIES THAT ATTRACT VISITORS TO ARIZONA. IN FY04, BY WORKING TOGETHER COLLABORATIVELY, THIS CONSORTIUM HELPED ELEVATE ARIZONA'S REPUTATION AS A "FIRST CHOICE" DESTINATION FOR OUR TARGETED VISITORS.



Community Outreach workshops

Many non-metro Arizona communities lack resources needed to draw visitors to their areas, so AOT strengthens its strategic partnerships throughout the state by providing guidelines and training for communities seeking grants and promotional assistance.

Training includes consumer advertising, media relations, travel industry marketing, research methods, strategic planning, product development, TEAM grants and visitor information services.

Success stories: In FY04, AOT presented six workshops totaling 179 attendees, increasing the average number of attendees over FY03 at each workshop by 15 percent. Of those who attended, 100 percent planned to keep the workshop workbook as a reference tool and 97 percent of those who attended indicated they would recommend the workshop to others.

TEAM grants

In FY04, TEAM matching grants were awarded to individual communities, Native American communities and regional consortiums and organizations to fund advertising, media relations campaigns, printed material and other tourism-

related marketing. Non-profit Arizona tourism organizations that met AOT's requirements and matched the requested funds were also eligible to receive TEAM grants. Approximately \$1 million was

awarded to Arizona communities and non-profits, resulting in a \$2 million marketing "reach." The TEAM program created a significant layer of destination awareness that complemented the agency's national and international branding campaigns and drove business to the cooperating communities and consortiums.

PR and trade roundtables

Because open communication is essential to creating and maintaining strong partnerships, AOT meets with public relations and tourism trade professionals representing communities throughout the state so that everyone can share information and build stronger relationships that are mutually beneficial.

MEDIA RELATIONS AND TRAVEL INDUSTRY MARKETING STAFF DESIGN AND PRODUCE WORKSHOPS AND PROFESSIONAL ROUNDTABLES THAT HELP TOURISM PROFESSIONALS IN ARIZONA COMMUNITIES HONE THEIR SKILLS.

Grand impressions workshops

Developed in partnership with the Northern Arizona University School of Hotel and Restaurant Management, these free, day-long educational seminars help tourism professionals learn more about Arizona and polish their superior customer service skills. Seminars travel throughout the state and are designed for visitor center employees, volunteers and frontline hospitality employees.

ALL OF THESE COMMUNITY OUTREACH PROGRAMS BUILD KNOWLEDGE, SOPHISTICATION AND SYNERGY IN THE INDUSTRY BY ENCOURAGING AND PROMOTING NEW AND ENHANCED TOURISM PRODUCTS LOCALLY, REGIONALLY AND STATEWIDE.

COMMUNITY OUTREACH WORKSHOPS ARE DIRECTED BY THE TOURISM DEVELOPMENT DIVISION, ALONG WITH THE COOPERATION AND COLLABORATION OF ALL DIVISIONS THAT HELP PRODUCE AND STAFF THE WORKSHOPS.

THE TOURISM DEVELOPMENT DIVISION DRIVES THIS STRATEGIC PARTNERSHIP PROGRAM THAT ENCOURAGES REGIONS TO WORK COOPERATIVELY TO RAISE AWARENESS OF THEIR UNIQUE DESTINATION AND THEREFORE CREATE MORE POSITIVE ATTENTION FOR THE STATE OF ARIZONA.



Looking ahead

While AOT is very pleased with the results achieved in FYO4, our staff is fully committed to repeating and even exceeding these successes in FYO5. To meet this new challenge, AOT remains dedicated to the four overarching goals that drove our program in FYO4. We will continue to refine our research capabilities to better understand our targeted visitors, leverage funding dollars to achieve the maximum ROI, communicate with our targeted visitors with creative and timely messages that encourage and compel them to travel to our state, and strengthen our strategic partnerships throughout the state.

In addition, we have identified nine strategic tasks that will add power to the FYO5 program. These nine initiatives will help ensure that Arizona seizes the position as a top-of-mind destination for our targeted domestic and international visitor.

Nine initiatives for FYO5

- Expand in-state marketing efforts to encourage more residents to explore the state.

- Enhance domestic marketing efforts in key target cities to generate new dollars for the state.
- Increase focus on the Grand Canyon as Arizona's landmark tourism asset.
- Initiate consumer advertising in international markets whose visitors stay longer and spend more.
- Reach out to the rapidly growing Hispanic market to position Arizona as a premier destination for these visitors.
- Build on the growth of the leisure travel market that is driving the current recovery.
- Increase TEAM grant funds to promote tourism development with emphasis on rural Arizona.
- Fund a Native American Tourism Survey to provide a baseline for future product development decisions that will strengthen the tourism economy on tribal lands.
- Create a database of cultural heritage venues that can be marketed through themed itineraries.

Work has already begun.





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FOR MORE INFORMATION, PLEASE CONTACT:

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